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Economic Contribution of Minnesota's Horse Racing Industry

A REPORT OF THE ECONOMIC IMPACT ANALYSIS PROGRAM

Authored by Brigid Tuck



PROGRAM SPONSOR: MINNESOTA RACING COMMISSION

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February 2017

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EXECUTIVE SUMMARY: ECONOMIC CONTRIBUTION OF MINNESOTA'S HORSE RACING INDUSTRY

The Minnesota Racing Commission (MRC) contracted with University of Minnesota Extension to conduct an economic contribution study of Minnesota's horse racing industry. The horse racing industry in Minnesota is successful compared to other states, but it is part of a rapidly changing environment. **This analysis found the industry currently contributes \$409.2 million and 5,590 jobs to Minnesota's economy.** Understanding the industry's significant role in the state's economy is valuable for future planning by industry leaders and policymakers.

According to the MRC, its mission is to operate "in the public interest to ensure the integrity of horse racing and card playing, oversee the proper distribution of funds back into the industry, and provide for the safety and welfare of the human and equine participants."

Impact on Minnesota's Output: In 2015, Minnesota's horse racing industry generated an estimated **\$409.2 million** of economic activity in the state. Of this, \$176.1 million was the result of direct spending by the horse racing industry—owners, trainers, breeders, Canterbury Park, Running Aces, and the MRC. Additionally, the industry stimulated an estimated \$233.1 million in economic activity at non-race horse related industries across the state. At \$409.2 million, the industry's total annual economic contribution significantly impacts the state. The industry accounts for 2 percent of Minnesota's leisure and hospitality industry.

Impact on Non-Horse Racing Industries: The biggest benefits from the horse racing industry occur in Minnesota's manufacturing, health and social services, and agriculture industries. Impacts in the agriculture industry are notable, as they reflect the horse racing industry's connections to agricultural production. The industry also has higher impacts on Minnesota businesses than typical entertainment businesses and activities.

Impact on Minnesota's Employment: In 2015, Minnesota's horse racing industry supported an estimated **5,590 full and part-time jobs** in the state. Of this, the industry directly employed an estimated 3,960 people. Additionally, the industry supported 1,630 jobs in non-horse related industries.

Minnesota's Horse Racing Industry: Minnesota has 1,472 licensed horse owners, 211 licensed trainers, and 214 breeders. In 2015, 348 foals, or newborns, were registered as Minnesota born. On average, survey results indicate each owner has eight horses, three of which are in training in Minnesota. According to the survey, each trainer is responsible for an average of 15 horses, nine of which are in active training. Horse breeders also report an average of 11 horses on their farms.

Notes on the Analysis: To measure contributions, Extension surveyed horse owners, breeders, and trainers. Minnesota's premier horse racing venues, Canterbury Park and Running Aces, along with MRC, provided their employment and spending data for analysis.

Total economic contribution includes direct, indirect, and induced effects. Direct effects result from spending by owners, breeders, trainers, race tracks, and MRC. Indirect and induced effects are across all industries and are measured using the input-output model IMPLAN.



INTRODUCTION

Pari-mutuel horse racing began in Minnesota in the early 1980s after Minnesota voters approved a constitutional amendment allowing pari-mutuel wagering on horse racing in the state. Canterbury Downs, Minnesota's first racetrack, was subsequently founded by Minnesota Racetrack Incorporated and featured its first race in 1985. In 1994, Canterbury Downs was purchased by Minnesota ownership and was renamed Canterbury Park. In 2008, Running Aces, a harness horse racing track, opened its doors for business.

The 1985 opening of Canterbury Downs had an immediate effect on Minnesota's agricultural industry. Farming operations across the state began breeding horses for racing. In 1989, 1,015 foals were born in Minnesota (Minnesota Racing Commission, 2015a). This clearly demonstrated the close relationship between Minnesota's race tracks and agribusiness.

While the state's horse racing industry has faced its challenges, it is experiencing a renaissance period in Minnesota. Canterbury Park, in particular, has seen steady increases in attendance. According to *MinnPost*, "Over the July 4 holiday weekend, Canterbury Park drew more than 40,000 visitors, including 7,657 for racing on Thursday and 20,376 for fireworks on Friday — a track record. The crowds bumped the daily average to 6,641, putting Canterbury Park on pace for its fifth consecutive season of averaging 6,000-plus per day" (Borzi, 2015).

Minnesota's steady attendance figures are in stark contrast to many other states. In recent years, track closures have become increasingly common. Those remaining have cut the number of race days. Nationally, the number of races declined from more than 74,000 in 1989 to 38,900 in 2015 (Minnesota Racing Commission). Other tracks are beginning to look at Canterbury Park as a model for success. The *Des Moines Register* quoted a horse enthusiast as calling Canterbury Park the "gem of the Midwest" (Rood, 2015).

Minnesota's relative strengths in the horse racing industry allow the state opportunities to capitalize even further on its successes. Racetrack efforts to enhance purses and diversify product portfolios are one reason for success. Both of the state's tracks offer simulcast betting, operate card rooms, and run entertainment venues. They also continue to invest in their operations through capital improvements, marketing, new activities to attract patrons, and developing their properties for non-racing uses. In 2012, Canterbury Park signed an agreement with the Mdewakanton Sioux Community to offer enhanced purses at the track.

Minnesota's horse racing industry does face challenges, though. According to the Minnesota Racing Commission (MRC), these challenges include changing industry trends, competition from other states and forms of gambling, and a changing business model (2015a). As the MRC and the horse racing industry work together to face these challenges, it is increasingly important to understand the role of the industry in the state.

The Minnesota Racing Commission hired University of Minnesota Extension to conduct an economic contribution study to further understand the current contribution of the industry. This report presents findings from the analysis.

The Minnesota Racing Commission's mission is to operate "in the public interest to ensure the integrity of horse racing and card playing, oversee the proper distribution of funds back into the industry, and provide for the safety and welfare of the human and equine participants" (Minnesota Racing Commission, 2015b). The MRC also promotes the horse racing and breeding industry in the state.

The economic contribution of the horse racing industry in Minnesota can be measured in direct, indirect, and induced effects. Direct effects are expenditures by the industry itself. In this study, University of Minnesota Extension quantified the direct effects of 1) horse operations with direct ties to the racing industry, including horse owners, trainers, and breeders and 2) Minnesota's two racetrack operations and the MRC. Indirect and induced effects were quantified using the input-output model IMPLAN¹. For more information on the terms used in this report, see Appendix 1.

MINNESOTA'S HORSE RACING INDUSTRY

Minnesota's horse racing industry includes horse owners, breeders, and trainers, as well as Canterbury Park, Running Aces, the MRC, and those employed by these entities. Calculating economic contribution requires quantifying the total expenditures (including labor expenditures) and employment for each of these industry components.

Collecting the necessary data from the racetracks and commission was relatively straightforward. Each operation provided their operational information to Extension. The plethora and distributed nature of owners, breeders, and trainers, however, required a survey. The survey provided insights into the current composition of Minnesota's agribusiness-related horse industry. Those insights are summarized below.

Owner, Breeder, and Trainer Survey

In collaboration with the Minnesota Racing Commission, Extension developed three survey instruments—each separately targeting owners, breeders, and trainers. The online survey software, Qualtrics, allowed those with multiple roles (for example, owner and breeder) to complete each instrument relevant to them.

The MRC provided Extension with a list of 1,165 names and addresses. The list contained individuals who were licensed by the MRC. In late June, Extension mailed a survey invitation, via postcard, to every address on the list. On July 11, list members received a reminder email. On August 12, Extension mailed a final reminder postcard to everyone on the list². This approach followed established survey methodology (Dillman & Salant, 1994).

Postcards with bad addresses were returned to Extension. After removing these addresses, the total number of individuals on the list dropped to 1,008. Extension closed the survey link on September 20.

The survey yielded 298 responses, a 30 percent response rate. Of the 298 respondents, 238 identified as race horse owners (Table 1). After removing incomplete responses, the number of owner responses dropped to 198. Ninety-seven of the 298 respondents identified as horse breeders. The number of useable responses from breeders was 81. Forty-six of the 298 respondents were horse trainers. The total number of complete trainer surveys was 29.

¹ MIG, Inc. www.implan.com.

² Extension removed bad addresses from the list before sending out reminders.

Table 1: Number of Survey Responses

Category	Responses
All respondents*	298
Horse owners	238
Horse breeders	97
Horse trainers	46

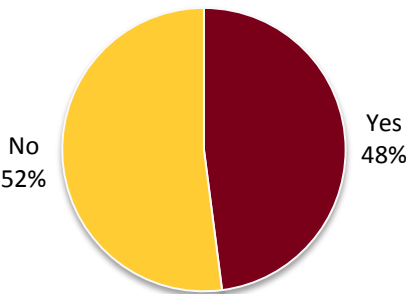
*Respondents could hold multiple roles in the industry.

Horse Owners

There are 1,472 race horse owners licensed in Minnesota, according to data from the MRC. Of those, 238 responded to Extension’s survey.

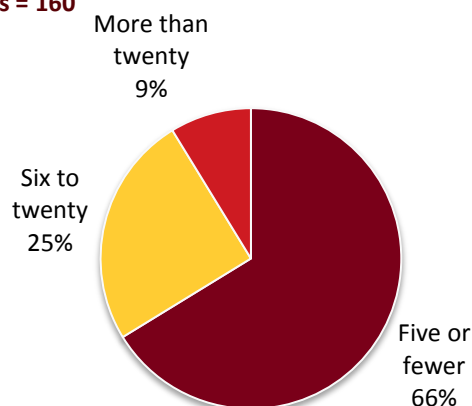
Slightly less than half of respondents (48 percent) indicated their primary residence is in Minnesota (Chart 1).

Chart 1: Horse Owner: Minnesota Is Primary Residence, Number of responses = 171



On average, each horse owner reported owning eight horses. The majority of owners (66 percent) owned five or fewer horses (Chart 2). Although only nine percent reported owning more than 20 horses, some owners reported having significantly more horses, bringing the average up to eight.

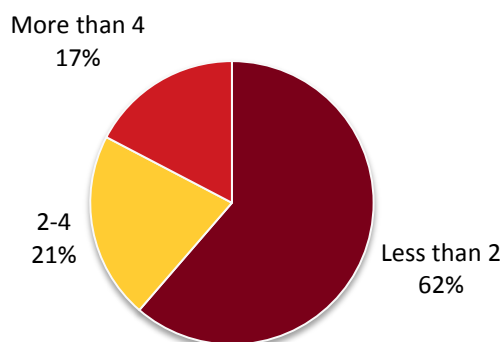
Chart 2: Number of Horses Owned, Number of responses = 160



Survey results indicate the average value of a horse was \$14,900³. Seventy-two percent of horse owners indicated a value per horse between \$5,000 and \$20,000.

Of the average eight horses owned, an average of three were in training at Minnesota racetracks⁴. Nearly two-thirds of owners had fewer than two horses in training (Chart 3). Horses not in training include those that have retired. One-quarter of owners indicated that when a horse is ready to retire, they retain ownership and send the horse back to the farm.

Chart 3: Number of Horses in Training at Minnesota Track, Number of responses = 75

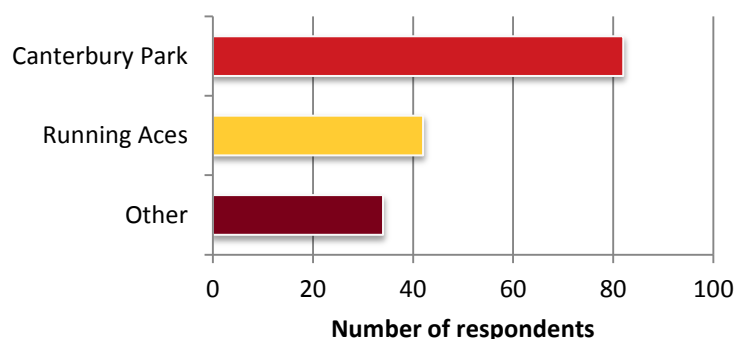


Eighty-two respondents reported having a horse actively racing at Canterbury Park, and 42 had a horse actively racing at Running Aces (Chart 4).

³ This is the reported value of owned horses. It is not equivalent to the cost of owning the horse.

⁴ In most cases, a horse in training is also actively racing; however, the two terms are not synonymous. For example, a young horse may train exclusively early in the season and only race in the final weeks of the season.

Chart 4: Actively Raced At.....,
Number of reponses = 158

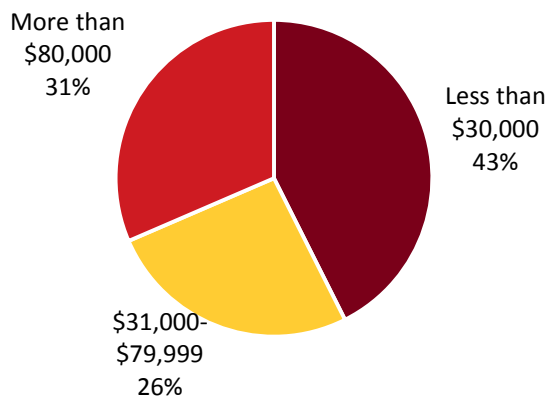


In theory, horse owners could have horses racing at both Canterbury Park and Running Aces. However, the type of racing is different at the two tracks. Running Aces is a harness racing track, and the two tracks also attract different horse breeds. Canterbury Park primarily features thoroughbred and quarter horse breeds. Running Aces primarily features Standardbreds. Since the requirements for breeding to race in Minnesota are also different, it is highly unlikely an owner is racing at both tracks.

On average, horse owners reported spending \$77,700 to operate a racing stable in 2015. This includes both their on-farm and on-track expenditures. Forty-three percent of respondents indicated they spent less than \$30,000 for operations (Chart 5). Nearly one-third paid more than \$80,000. Operational expenditures include items such as trainer fees, board and stable fees, veterinarian fees, vanning, farrier, tack and supplies, and professional fees⁵.

Of the \$77,700 in operational expenses, respondents indicated 47 percent was spent in Minnesota. Thus, on average, each farm spent \$36,500 in Minnesota to operate. This \$36,500 includes payments to trainers of \$18,100.

Chart 5: Racing Stable Expenses Per Operation



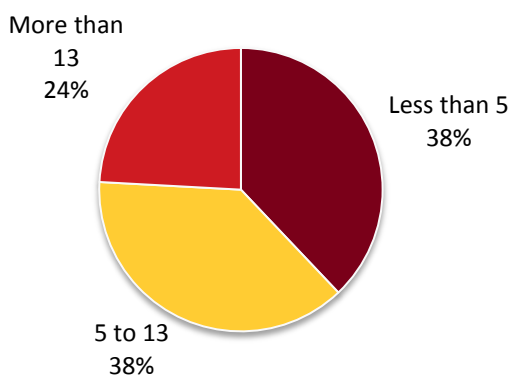
⁵ For a complete list of expenditure items, please see the surveys in the appendices. A glossary of horse terms can be found at <http://www.equibase.com/newfan/glossary-full.cfm#t>.

In addition to expenditures for stable operations, horse owners also made investments in structural improvements and equipment. Survey respondents reported spending \$28,200, on average, for capital improvements in 2015.

Horse Trainers

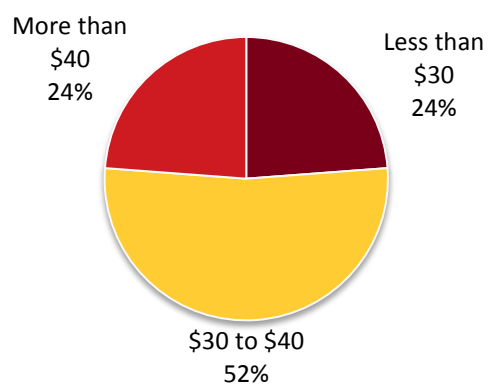
There are 211 registered horse trainers in Minnesota, based on MRC data. On average, each trainer reported 15 horses in their care. Slightly more than one-third of trainers were responsible for fewer than five horses (Chart 6). One-quarter reported caring for more than 13 horses. Of the horses in an average trainer's care, nine were in active training.

Chart 6: Horse Trainers: Number of Horses In Care,
Number of responses = 29



On average, trainers reported charging \$35 per day in training fees. This is consistent with over 50 percent reporting a fee between \$30 and \$40 (Chart 7).

Chart 7: Average Daily Training Fees, Number of
responses = 21



Minnesota registered horse trainers reported spending an average of \$119,200 for their training operations in 2015. A significant portion of this, \$60,700, was for labor. Each trainer reported employing an average of nine people — including both hired labor and family labor. All labor expenditures were in Minnesota, as this is where the training occurred. Of the additional operational expenses (\$58,500), trainers reported 42 percent is spent within Minnesota. After accounting for both total labor expenses and the portion of additional operating expenses in the state, the 2015 direct spending per trainer in Minnesota was an estimated \$84,000.

Of note is the measurement of employment in the IMPLAN model. In the model, one job is one job regardless if it is full-time, part-time, or seasonal. With horse trainers, in particular, one would expect seasonal employment. Horse trainers and their various employees are more active during the racing season, and they may have other employment off-season.

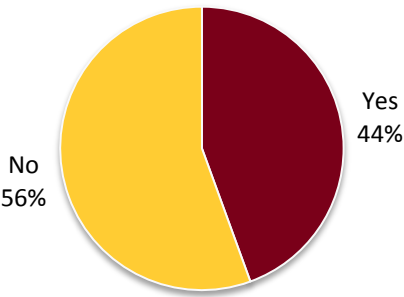
In addition to operational expenditures, the survey indicated the average trainer made \$4,500 of investments in equipment with an expected lifespan of more than a year.

Horse Breeders

Minnesota Racing Commission data indicates there are 214 horse breeders in Minnesota. There were 348 foals registered as Minnesota bred in 2015⁶. It is worth noting the different requirements for thoroughbreds and quarter horses versus Standardbred horses. Thoroughbred and quarter horse foals must be born in Minnesota to be registered as Minnesota bred. For Standardbred horses, only the stallion must be in Minnesota for the breeding season. These requirements complicate the analysis related to horse breeders in the state.

Of the 81 responding breeders, 44 percent reported owning a horse farm in the state (Chart 8).

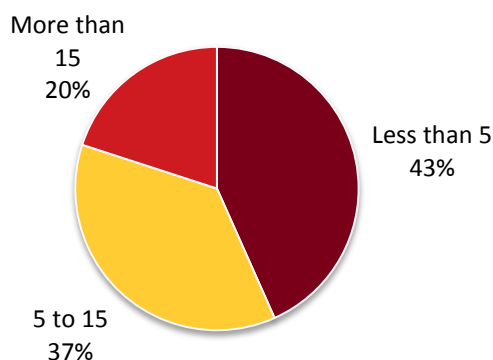
Chart 8: Horse Breeders: Own a Horse Farm in Minnesota?, Number of responses = 81



On average, each horse breeder reported having 11 horses on their farm. Forty-three percent had fewer than five horses on their farm (Chart 9). Twenty percent had more than 15 horses.

⁶ Minnesota Racing Commission.

**Chart 9: Number of Horses Included in Expenses,
Number of responses = 60**



Each horse breeder spent an average of \$105,700 to operate their breeding operation in 2015. Labor is an important component of expenditures, with breeders spending \$42,300 of total expenses on labor costs. Of non-labor related expenses, horse breeders reported 36 percent was spent within Minnesota. On average, each horse breeder spent \$38,000 in the state.

In addition, horse breeders reported making investments of \$36,300 in structural improvements and equipment.

Minnesota's Racetracks and the Minnesota Racing Commission

Canterbury Park, Minnesota's oldest track, is located in Shakopee, Minnesota. Canterbury Park hosts live thoroughbred and quarter horse racing at its facility. The track also offers pari-mutuel wagering via simulcast, allowing guests to wager on races outside of Minnesota. Canterbury Park also operates a card room and hosts entertainment events. To complement activities, Canterbury Park provides food and beverage options at places like the Chalk Pub, Horseshoe Bar, and the Mezz concessions. Canterbury Park management reports over 1 million annual visitors.

Running Aces, opened in 2008, is located in Columbus, Minnesota. Running Aces is a harness racing track. In addition to live racing, Running Aces also offers simulcast racing and pari-mutuel wagering. Running Aces hosts a card room and provides live entertainment. The facility also provides dining opportunities—its Trout Air Tavern even allows diners to catch their own trout. In October 2016, Running Aces signed an exclusivity agreement with the GrandStay Hospitality franchise to open a hotel at the track. The track was instrumental in attracting the hotel to the area, as it would not have located in Columbus without the presence of the track.

The Minnesota Racing Commission's mission is to operate "in the public interest to ensure the integrity of horse racing and card playing, oversee the proper distribution of funds back into the industry, and provide for the safety and welfare of the human and equine participants" (Minnesota Racing Commission, 2015b). The Minnesota Racing Commission also promotes the horse racing and breeding industry in the state.

TOTAL ECONOMIC CONTRIBUTION

Total economic contribution is composed of direct, indirect, and induced effects. Calculating the total economic contribution of an industry begins with determining the direct effects, or the total spending of the industry. Indirect and induced effects are then calculated using input-output models.

Economic contribution effects can be measured in terms of output (sales), employment, and labor income. Output is typically the most commonly cited result of an economic contribution study. Labor income is recommended as a measure because it indicates the economic benefits that accrue to study area residents. Employment includes full-time, part-time, and seasonal employment, not full-time equivalents.

Direct Effects

The combined expenditures by horse owners, trainers, breeders, Canterbury Park, Running Aces, and the Minnesota Racing Commission constitute the direct effects of the horse racing industry in Minnesota. Using data collected via the industry survey, Extension estimated total expenditures by horse owners, breeders, and trainers. Per operation expenditures were extrapolated to represent all operations in the state.

Horse Owners

In 2015, Minnesota registered race horse owners spent an estimated \$155.9 million on their stables, including operational expenditures and capital investments. Of this, an estimated \$64.3 million was spent within Minnesota⁷. This is the direct effect of horse owners (Table 1). According to the IMPLAN model, the \$64.3 million in output is associated with 450 jobs and \$22.2 million in labor income.

**Table 1: Direct Effect of Horse Owners,
Minnesota Horse Racing Industry**

Output (millions)	\$64.3
Employment (jobs)	450
Labor Income (millions)	\$22.2

Estimates by University of Minnesota
Extension

Horse Trainers

In 2015, Minnesota registered horse trainers spent an estimated \$26.1 million on operations and capital investments. Of this, an estimated \$18.7 million was spent within Minnesota (Table 2). Horse trainers employed 1,870 people and paid an estimated \$12.3 million in labor income.

**Table 2: Direct Effect of Horse Trainers,
Minnesota Horse Racing Industry**

Output (millions)	\$18.7
Employment (jobs)	1,870
Labor Income (millions)	\$12.3

Estimates by University of Minnesota
Extension

⁷ Excludes training fees, as this is captured in direct effect of trainers.

Horse Breeders

In 2015, horse breeders in Minnesota spent an estimated \$30.4 million on operations and capital investments. Expenditures in Minnesota were an estimated \$15.9 million (Table 3). Horse breeders employed 90 people and paid \$3.3 million in labor income.

**Table 3: Direct Effect of Horse Breeders,
Minnesota Horse Racing Industry**

Output (millions)	\$15.9
Employment (jobs)	90
Labor Income (millions)	\$3.3
Estimates by University of Minnesota Extension	

Canterbury Park, Running Aces, and the Minnesota Racing Commission

All three organizations provided Extension with their operational budgets. In 2015, the three organizations spent \$77.2 million to operate (Table 4). Of this, \$35.7 million was labor income. The organizations directly employed 1,550 people.

**Table 4: Direct Effect of Race tracks and
Minnesota Racing Commission,
Minnesota Horse Racing Industry**

Output (millions)	\$77.2
Employment (jobs)	1,550
Labor Income (millions)	\$35.7
Estimates by University of Minnesota Extension	

Total Direct Effects of Minnesota's Horse Racing Industry

In 2015, Minnesota horse owners, operators, and breeders spent an estimated total of \$212.4 million on operations and capital investments (Table 5). Of this, \$98.9 million was in Minnesota. Combined with spending by race tracks and the commission, Minnesota's horse racing industry spent \$176.1 million in Minnesota.

**Table 5: Total Direct Output Effect of
Minnesota Horse Racing Industry
(millions)**

Total spending by horse owners, breeders, and trainers	\$212.4
Total spending in Minnesota by owners, breeders, and trainers	\$98.9
Total spending by race tracks and commission	\$77.2
Total direct spending in Minnesota	\$176.1
Estimates by University of Minnesota Extension	

Indirect and Induced Effects

Input-output models trace the flow of dollars throughout a local economy and capture the indirect and induced, or secondary, effects of an economic activity. To quantify the indirect and induced effects of the horse racing industry for this analysis, the direct effects were entered into the input-output model IMPLAN. This analysis uses IMPLAN version 3.0 with SAM multipliers⁸.

Indirect effects are those associated with a change in economic activity due to spending for goods and services directly tied to the industry. In this case, these are the changes in the local economy occurring because those involved in Minnesota's horse racing industry purchase goods (e.g., hay, tack supplies, and electricity) and related services (e.g., veterinary services, accounting, and tax preparation). As members of the horse industry make purchases, this creates an increase in purchases across the supply chain. Indirect effects are the summary of these changes across an economy.

Induced effects are those associated with a change in economic activity due to spending by the employees of businesses (labor) and by households. These are economic changes related to spending by people directly employed in Minnesota's horse racing industry. Included are those who work at the major tracks, Canterbury Park and Running Aces, and those who work for horse owners, breeders, and trainers. It also includes household spending related to indirect effects.

Minnesota's horse racing industry's indirect and induced effects are detailed in the discussion of total economic contribution.

Total Economic Contribution

Minnesota's horse racing industry generated \$409.2 million of economic activity in 2015 (Table 6). Of this, \$157.4 million was labor income. The industry supported 5,590 jobs in the state.

Table 6: Total Economic Contribution of Minnesota's Horse Racing Industry

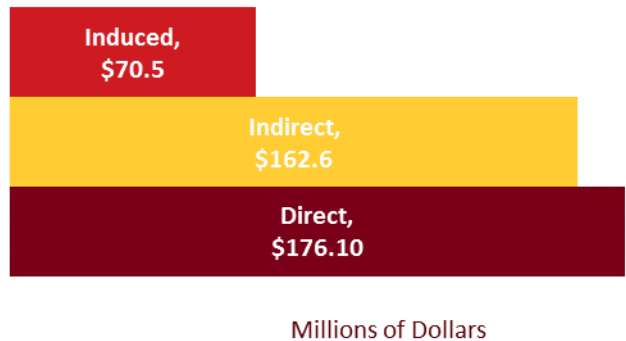
	Direct	Indirect	Induced	Total
Output (millions)	\$176.1	\$162.6	\$70.5	\$409.2
Employment	3,960	1,110	520	5,590
Labor Income (millions)	\$73.6	\$53.8	\$30.0	\$157.4

Estimates by University of Minnesota Extension

Directly, the Minnesota horse racing industry had \$176.1 million of output (Chart 10). Direct spending generated \$162.6 million in indirect effects and \$70.5 million in induced effects.

⁸ www.implan.com

Chart 10: Total Economic Contribution of Minnesota's Horse Racing Industry



Of significance to this study is the balance between the indirect and induced effects. For Minnesota's racing industry, the indirect effects are nearly 70 percent of the total secondary effects. This is important, as it shows the direct connection between Minnesota's horse racing operations and businesses that supply it in the state. As a result, the industry has higher impacts on Minnesota businesses than typical entertainment organizations and activities. This means an expansion in the horse racing industry will create higher impacts on Minnesota businesses in the supply chain than expansions in other entertainment activities.

A review of previous Extension economic impact studies supports this conclusion (Table 7). A 2016 study of Minnesota bicycling events indicated indirect effects are 45 percent of total secondary effects (Qian et al., 2016). A 2010 study of a Minnesota Viking's playoff game also had indirect effects at 45 percent (Tuck & Nelson, 2010). A 2011 study of the 3M golf tournament had 42 percent indirect effects (Tuck & Nelson, 2011). Finally, a 2012 study of Minnesota museums yielded an indirect to total secondary effects ratio of 42 percent (Tuck & Schwartau, 2012).

Table 7: Comparison of Indirect to Induced Impact Ratios from Previous University of Minnesota Studies

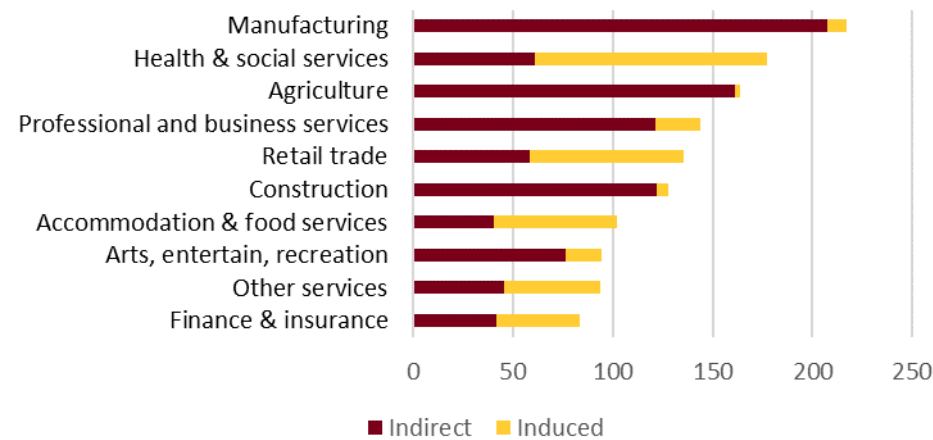
Study Name (Date)	Percent Indirect	Percent Induced
Economic Contribution of Minnesota's Horse Racing Industry (2017)	70%	30%
Assessing the Economic Impact and Health Benefits of Bicycling in Minnesota (2016)	45%	54%
Economic Contribution of Museums in Minnesota (2012)	42%	58%
The Economic Impact of Minnesota Vikings Game Attendees: A Playoff Example (2010)	45%	55%
Economic Impact of the 3M Championship Golf Tournament: 2010 (2011)	42%	58%

Top Industries Impacted

Minnesota's horse racing industry directly and indirectly supports 5,590 jobs in the state. Industry players (owners, breeders, trainers, the tracks, and the commission) directly employ 3,960 people.

The additional 1,630 jobs are in businesses across the economy. Chart 11 details the industries affected by horse racing.

Chart 11: Top Minnesota Industries Impacted by Minnesota's Horse Racing Industry



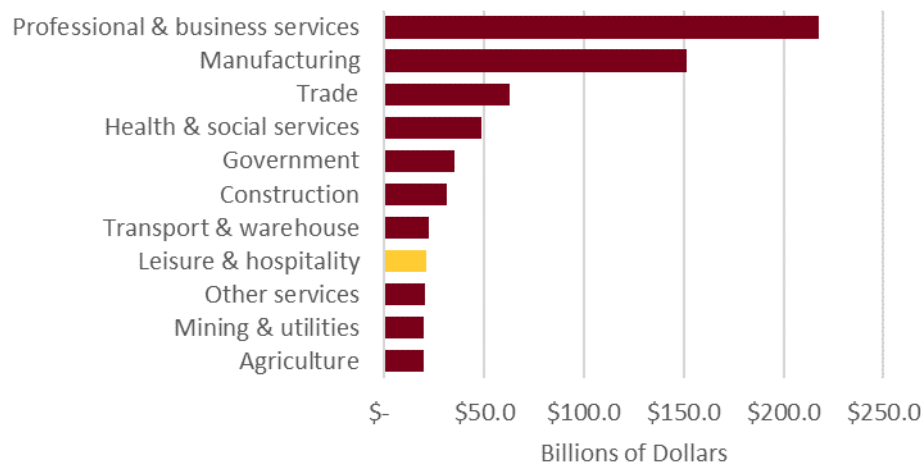
Minnesota’s horse racing industry supports slightly more than 200 manufacturing jobs and slightly less than 200 jobs in each of the health and social services and agriculture industries in Minnesota. The manufacturing jobs are likely the result of investments in equipment by horse owners, breeders, and trainers.

Jobs in the agricultural industry are beyond those filled by owners, breeders, and trainers. For example, horse owners with a farm might directly employ a farm manager, which would be a direct effect in this analysis. However, the farm manager might hire a person to custom harvest a pasture or to apply a fertilizer, which would be an indirect effect.

RACING INDUSTRY IN CONTEXT OF MINNESOTA’S OVERALL ECONOMY

In 2015, businesses and enterprises in Minnesota created \$649.3 billion of output. Of this, \$218.0 billion was generated by the professional and business services industry (Chart 12).

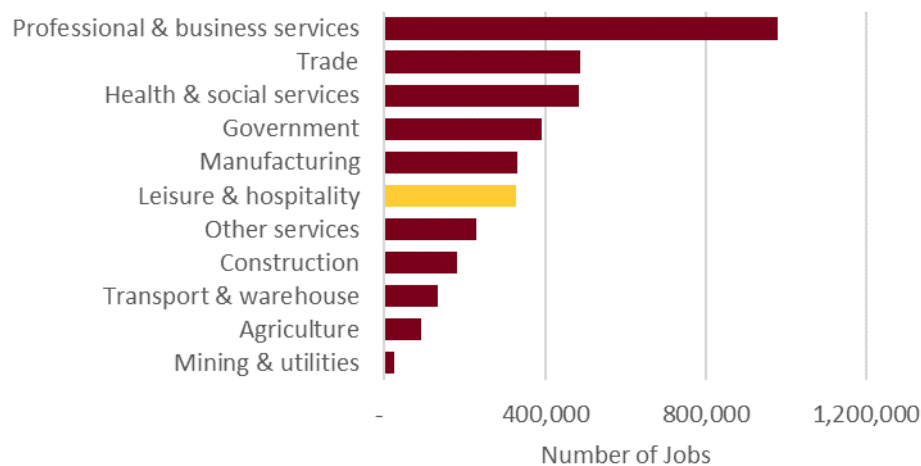
Chart 12: Output by Industry, Minnesota, 2015



Minnesota's leisure and hospitality industry, which includes the horse racing industry, generated \$21.1 billion of output. The horse racing industry, including its secondary effects, accounts for approximately 2 percent of the industry's output in the state.

In 2015, there were 3.7 million jobs at Minnesota businesses and enterprises. Nearly 1 million of these jobs were in the professional and business services industry (Chart 13). The leisure and hospitality industry employed 326,400. The 5,590 jobs supported by the horse racing industry account for around 2 percent of jobs in the industry.

Chart 13: Employment by Industry, Minnesota, 2015



NOTES ON THE ANALYSIS

This analysis was designed to be a comprehensive examination of the horse racing industry in Minnesota. However, even with a thorough approach, the analysis did not measure several economic activities related to the industry.

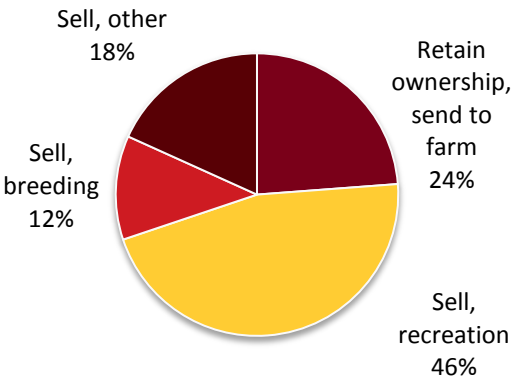
First, the analysis does not capture spending by spectators attending live racing and other events at the two race tracks. When people attend races and events held at the tracks, they spend money in the local economy. Purchases include items such as food, gasoline, and hotel accommodations. Given the scope of this project, the analysis did not measure these expenditures.

Second, the analysis does not include major capital investments by the race tracks. Canterbury Park has invested in upgrading its buildings and grounds in recent years. These major investments are not included here. Running Aces also recently announced an agreement with GrandStay Hospitality to build a new hotel at the racetrack (Halter, 2016). This expansion is an important milestone for the industry; however, since the investment is planned for the future, it was not included in this analysis.

Finally, the analysis does not measure spending by owners of retired race horses. To the extent the retired horses are owned by those with active race horses, some measure of expenditures are included in this report, as the industry survey asked owners to report on expenses for all of their horses. However, race horses that retire and are sold for other purposes (for example, recreation) are not included in this report, even though they continue to have an impact on Minnesota’s economy.

Chart 14 illustrates how horse owners treat retired race horses. Roughly one-quarter of race horses remain on the farm. Of the rest, the largest percentage (46 percent) are sold for recreational purposes.

Chart 14: Retired Horse Destinations by Horse Owners, Number of responses = 126



CONCLUSION

Minnesota’s horse racing industry is in a strong but challenging position going into 2017. Investments and strategic business planning by industry members have given Minnesota’s horse racing industry two viable racetracks compared to activity in other states. However, horse racing is an industry in a rapidly changing environment with continued challenges from evolving customer demands, competing and expanding forms of gaming (e.g., fantasy sports), and competition from other entertainment forms. To face these challenges, the Minnesota Racing Commission, industry members, and policymakers need a clear understanding of the industry’s importance in the state’s economy. Thus, University of Minnesota Extension conducted this analysis.

In 2015, Minnesota’s horse racing industry generated an estimated \$409.2 million in economic activity in the state. Of this, \$176.1 million was the result of direct spending by the horse racing industry — owners, trainers, breeders, the race tracks, and the racing commission. The relatively

high secondary effects—particularly high indirect effects—point to the strong connections the race tracks have with Minnesota businesses. Horse racing is more than a simple entertainment venue. Unlike many other types of entertainment, the industry has strong ties to agribusiness and manufacturing. Members of the horse racing industry purchase hay, veterinary services, feed, and equipment. These expenditures are above and beyond what a typical entertainment business would purchase.

The racetracks' connections to Minnesota businesses are clearly demonstrated in the industries that benefit from horse racing. In addition to strong ties with agriculture, the racing industry also has a positive influence on manufacturing. This is partially a result of capital investments made by the tracks and horse owners, breeders, and trainers.

The horse racing industry in Minnesota also supports income for Minnesota residents. In 2015, the industry generated an estimated \$157.4 million of labor income in the state. On average, each secondary job created by the horse racing industry paid \$51,000. That includes full-time and part-time employment. It also includes wages, salaries, and benefits.

This analysis highlights the implications of industry growth and development. Efforts to support the industry will have broader impacts on the state's economy. Led by strong fields and purses at the race tracks, the industry supports Minnesota's agricultural community. As demonstrated by the number of new foals born following Canterbury's initial opening, a racetrack can help promote the state's breeding industry. This analysis found that horse owners, breeders, and trainers already invest \$98.9 million in Minnesota, as shown in Table 5. Adding additional horses will increase economic activity. In order for an increase in the number of horses to occur, the economics of the track will need to support breeder and owner investment in breeding and raising horses until they are old enough to race.

It is clear the horse racing industry is important to Minnesota's economy. Opportunities to enhance the success and profitability of Minnesota's racetracks should be explored, as success at the tracks will lead to additional success in the industry.

APPENDIX 1: TERMS AND ASSUMPTIONS

Special models, called input-output models, exist to conduct economic impact analysis. There are several input-output models available. IMPLAN (Impact Analysis for PLANning, Minnesota IMPLAN Group) is one such model. Many economists use IMPLAN for economic impact analysis because it can measure output and employment impacts, is available on a county-by-county basis, and is flexible for the user. IMPLAN has some limitations and qualifications, but it is one of the best tools available to economists for input-output modeling. Understanding the IMPLAN tool, its capabilities, and its limitations will help ensure the best results from the model.

One of the most critical aspects of understanding economic impact analysis is the distinction between the “local” and “non-local” economy. The local economy is identified as part of the model-building process. Either the group requesting the study or the analyst defines the local area. Typically, the study area (the local economy) is a county or a group of counties that share economic linkages. In this analysis, the study area is Minnesota.

A few definitions are essential in order to properly read the results of an IMPLAN analysis. The terms and their definitions are provided below.

Output

Output is measured in dollars and is equivalent to total sales. The output measure includes significant “double counting.” Think of corn, for example. The value of the corn is counted when it is sold to the mill and then again when it is sold to the horse owners as a feed supplement. The value of the corn is built into the price of each of these items and then the sale of each of these items are added up to get total sales (or output).

Employment

Employment includes full- and part-time workers and is measured in annual average jobs, not full-time equivalents (FTEs). IMPLAN includes total wage and salaried employees, as well as the self-employed, in employment estimates. Because employment is measured in jobs and not in dollar values, it tends to be a very stable metric.

Labor Income

Labor income measures the value added to the product by the labor component. So, in the corn example, when the corn is sold to the mill, a certain percentage of the sale goes to the farmer for his/her labor. Then when the mill sells the corn as feed to horse owners, it includes some markup in the price for its labor costs. These individual value increments for labor can be measured, which amounts to labor income. Labor income does *not* include double counting.

Direct Impact

Direct impact is equivalent to the initial activity in the economy. In this study, it is spending by the horse racing industry, as detailed in this report.

Indirect Impact

The indirect impact is the summation of changes in the local economy that occur due to **spending for inputs** (goods and services) by the industry or industries directly impacted. For instance, if employment at a racetrack increases by 100 jobs, this implies a corresponding increase in sales at

the track. As the track increases sales, it must also purchase more inputs, such as electricity, food supplies, and equipment. As the track increases purchases of these items, its suppliers must also increase production, and so forth. As these ripples move through the economy, they can be captured and measured. Ripples related to the purchase of goods and services are indirect impacts. In this study, indirect impacts are those associated with spending by the horse racing industry for operating items.

Induced Impact

The induced impact is the summation of changes in the local economy that occur due to **spending by labor**. For instance, if employment at the racetrack increases by 100 jobs, the new employees will have more money to spend to purchase housing, buy groceries, and go out to dinner. As they spend their new income, more activity occurs in the local economy. Induced impacts also include spending by labor generated by indirect impacts. So, if a horse owner purchases services from a local tax preparer, spending of the tax preparer's wages would also create induced impacts. Primarily, in this study, the induced impacts are the economic changes related to spending by the horse industry's employees.

Total Impact

The total impact is the summation of the direct, indirect, and induced impacts.

Input-Output, Supply and Demand, and Size of Market

Care must be taken when using regional input-output models to ensure they are being used in the appropriate type of analysis. If input-output models are used to examine the impact of an industry so large that its expansion or contraction results in major supply and demand shifts causing the prices of inputs and labor to change, input-output can overstate the impacts. It is not likely Minnesota's horse racing industry has an impact on national input prices. Hence, the model should reliably estimate the impacts.

APPENDIX 2: SURVEY INSTRUMENTS

Horse Owners

Welcome! You are being asked to complete this survey as part of a study measuring the economic value of the horse racing industry in Minnesota. You are a **critical** member of this industry and we need to hear from you! **This study will help tell the story of the importance of the horse racing industry in Minnesota.**

The Minnesota Racing Commission (MRC) has hired University of Minnesota Extension to conduct this study.

This survey is voluntary. **Your answers will be confidential and anonymous.** There will be no method for tying an individual response to an individual person. Only Extension will have access to the full responses. Published reports will only contain summary information.

If you have any questions, feel free to contact the project manager, Brigid Tuck, Extension Economist, at 507-389-6979 or tuckb@umn.edu. You can also contact Stephanie Neises with the Minnesota Racing Commission at 651-925-3955 or Stephanie.neises@state.mn.us.

Note: If you are also a horse breeder or trainer, you should receive a second survey directly designed to gather information on your expenses related to breeding or training.

PART 1 – Your Role in Minnesota’s Racing Industry

Is your principal residence in Minnesota? Yes No

Do you own your horse(s) in partnership with others? Yes No

How many horses did you own or lease in 2015? _____ horses

What would you estimate was the value of all the horses you owned in 2015? \$ _____

Did you have a horse actively racing in 2015 at (circle all that apply) Canterbury Park Running Aces Other (specify) _____

Are you currently the managing partner for any of your horses? Yes No
If yes, please complete parts 2-6. If no, please skip to part 4.

PART 2 – Your Racing Stable Operation

Please do your best to answer the following questions. We realize this will take time to complete. **These answers are critical to measuring the economic value of the industry.**

How many horses do you own that are in training at a Minnesota race track? _____ horses

What was the average daily training fee you paid your Minnesota trainer in 2015? _\$ _____ per horse per day

What were your total expenses for your racing stable operation in 2015? \$ _____

How many horses do the above expenses apply to? _____ horses

Approximately what percent of total expenses given above were incurred in Minnesota _____ %

Please list the **annual** expenses for your racing stable operation in 2015. We realize this will take time to complete accurately. **However, these answers are the key to measuring the economic value of the industry!**

Item	Annual Expense
Trainer and Jockey Fees	
Trainer Fees (excluding commissions)	\$ _____
Trainer Commissions	\$ _____
Jockey fees/commissions	\$ _____

Direct Horse Expenses (Please provide amounts billed to you.)	
Board (off-track)	\$
Stall track (on-track)	
Veterinarian	\$
Farrier	\$
License fees	\$
Nominations/Registrations/Entry fees	\$
Pony to rider fee	\$
Stable bonuses	\$
Tack and supplies	\$
Vanning/transport	\$
Medical supplies	\$
Overhead Expenses	
Insurance	\$
Professional fees (accountants, lawyers, etc)	\$
Bank service charges	\$
Winners Circle Photos/marketing	\$
Mileage to/from racetrack	\$
Other Expenses	\$

PART 3 – Your Racing Investments

Did you make any investments in equipment (assets with more than one year of life) or structures in 2015? Yes No

If yes, what was the value? \$_____equipment \$_____structures

PART 4 – Your Racing Related Travel

Did you stay overnight away from home for one or more nights in 2015 in order to watch your horse race or train in Minnesota? Yes No

How many nights in 2015 did you spend in Minnesota (away from home) to watch your horse race or train? _____ nights

How many people were in your travel party (the group you traveled with to watch your horse race)? Include yourself, spouse, children, friends, etc. _____number of people

On a typical overnight trip to watch your horse, how much did your travel party spend off the track? (Include hotel, dining out, shopping, etc.) \$_____ per day

PART 5 – Your Horses

Have you owned a horse that, for whatever reason, was bred to race, but did not go into training? Yes No
If yes, how many? _____horses

When you retire a horse, what becomes of the horse? (select the most common)

I retain ownership, send to a farm

I sell to another owner for recreational purposes

I sell to another owner for breeding purposes

I sell to another owner for purposes not listed here (specify, if you know) _____



PART 6 – About You

1. What is the zip code of your primary residence? _____

Thank you for your time! If you have any questions or concerns about this project, contact Brigid Tuck, tuckb@umn.edu; 507 389 6979

Horse Trainers

Welcome! You are being asked to complete this survey as part of a study measuring the economic value of the horse racing industry in Minnesota. You are a **critical** member of this industry and we need to hear from you! **This study will help tell the story of the importance of the horse racing industry in Minnesota.**

The Minnesota Racing Commission (MRC) has hired University of Minnesota Extension to conduct this study.

This survey is voluntary. **Your answers will be confidential and anonymous.** There will be no method for tying an individual response to an individual person. Only Extension will have access to the full responses. Published reports will only contain summary information.

If you have any questions, feel free to contact the project manager, Brigid Tuck, Extension Economist, at 507-389-6979 or tuckb@umn.edu. You may also contact Stephanie Neises with the Minnesota Racing Commission at 651-925-3955 or stephanie.neises@state.mn.us.

Note: If you are also a horse owner or breeder, you should receive a second survey directly designed to gather information on your expenses related to owning or breeding.

PART 1 – Your Role in Minnesota’s Racing Industry

How many horses-in-training were you responsible for during the 2015 Canterbury or Running Aces’ meet ?
_____ horses

How many horses on average were you responsible for in any given month in 2015? _____ horses

Please circle the locations where you train horses (circle all that apply)

Canterbury Park Running Aces Training Centers Other (specify) _____

PART 2 –Your Operations at the Track

What is your standard daily training fee per horse? \$ _____

On a typical day at the racetrack, how many of the following **paid** workers do you employ?

Employee Type	Number Employed	Employee Type	Number Employed
Assistant trainers		Security (night watch)	
Stable foremen		Exercise riders	
Hot walkers		Pony People	
Grooms		Other	

On a typical day at the racetrack, how many of the following **unpaid** workers do you employ (for example, family members)?

Employee Type	Number Employed
Assistant trainers	
Stable foremen	



Hot walkers	
Grooms	
Security (night watch)	
Exercise riders	
Pony People	
Other	

PART 3 – Your Horse Related Expenses

Use year-end records of expenditures and/or your tax return for your training operation in 2015 to assist in answering the questions in this section. Items direct billed to the owner should **NOT** be included.

In 2015, what were your total training operation expenses? \$ _____

Please list the **annual expenses** for your training operation in 2015. These are the expenses paid out of your daily training fee.

Item	Annual Expense
Labor Expenses	
Wages & salaries	\$ _____
Contract labor	\$ _____
Employee benefits (if provided)	\$ _____
Direct Horse Expenses	
Feed & supplements	\$ _____
Bedding	\$ _____
Stable and tack supplies	\$ _____
Medical supplies	\$ _____
Veterinarian (if not direct billed to owner)	\$ _____
Farrier (if not direct billed to owner)	\$ _____
State licenses/permits	\$ _____
Stall/barn rentals	\$ _____
Professional Costs	
Insurance (including Workers' Comp)	\$ _____
Payroll taxes	\$ _____
Mileage expenses	\$ _____
Other travel expenses	\$ _____
Bank service fees	\$ _____
Equipment purchases (for equipment with less than 1 year of life)	\$ _____
Other expenses	\$ _____

In 2015, if your horses were stabled for part of the year in locations other than Minnesota, what is your estimate of the percent of total training expenses allocated to racing in Minnesota? _____%

Do you expect training expenses in 2016 to be ___ up slightly ___ up significantly ___ about the same ___ down slightly ___ down significantly Why? _____

Did you make any investments in equipment (assets with more than one year of life) or structures in 2015? Yes No

If yes, what was the value? \$ _____ equipment \$ _____ structures



PART 4 – About You

1. What is the zip code of your primary residence? _____

Thank you for your time! If you have any questions or concerns about this project, contact Brigid Tuck, tuckb@umn.edu; 507 389 6979

Horse Breeders

Welcome! You are being asked to complete this survey as part of a study measuring the economic value of the horse racing industry in Minnesota. You are a **critical** member of this industry and we need to hear from you! **This study will help tell the story of the importance of the horse racing industry in Minnesota.**

The Minnesota Racing Commission (MRC) has hired University of Minnesota Extension to conduct this study.

This survey is voluntary. **Your answers will be confidential and anonymous.** There will be no method for tying an individual response to an individual person. Only Extension will have access to the full responses. Published reports will only contain summary information.

If you have any questions, feel free to contact the project manager, Brigid Tuck, Extension Economist, at 507-389-6979 or tuckb@umn.edu. You can also contact Stephanie Neises with the Minnesota Racing Commission at 651-925-3955 or Stephanie.neises@state.mn.us.

Note: If you are also a horse owner or trainer, you should receive a second survey directly designed to gather information on your expenses related to owning or training.

PART 1 – Your Role in Minnesota’s Racing Industry

Did you own at least one Minnesota registered broodmare or stallion in 2015? Yes No

Did you own, lease, or manage a horse farm in Minnesota in 2015? Yes No

If yes, please answer part 2. If no, please skip to part 3.

PART 2 –Your Horse Farm (Only if you own, lease, or manage one in Minnesota)

What is your farm’s total acreage? _____ acres

Approximately how many acres are used for your horse farm operation? _____

How many broodmares or stallions were on your farm during the 2015 breeding season? _____

How many of these horses (broodmares or stallions) did you own by yourself _____ or with others _____?

How many of the following horses, exclusive of those shipped in to be bred and boarded for less than a month or for sale prep, were on your farm in 2015?

Horse Type	Number	Average Months
Stallions		
Broodmares		
Foals/Weanlings		
Yearlings		
Retired		

How many of the above foals were registered as Minnesota-bred in 2015? _____ foals

How many foals were registered as Minnesota-bred in 2012? _____ foals



How many of foals born in 2012 went into training for the 2015 season? _____ foals

When a horse retires on your farm, what becomes of the horse? (select one) Remains on farm Sold for recreation
Sold for breeding Sold for another purpose

How many paid and non-paid employees did you typically have in your horse farm operation in 2015?

	Paid Employees		Unpaid Employees, ex. family members	
Employee Type	Number	Average Months	Number	Average Months
Full-time, Year-round				
Part-time, Year-round				
Seasonal				

PART 3 – Your Horse Breeding Operation

What were your total expenses for your horse breeding operation in 2015? \$ _____

Approximately what percent of total expenses given above were incurred in Minnesota _____ %

How many horses do the above expenses apply to? _____ (include foals, yearling, mares, stallions, and retired horses)

Do the expenses apply mostly to your horses outside boarders

What would you estimate was the value of all the horses you owned for breeding purposes in 2015? \$ _____

Please list the annual expenses for your breeding operation in 2015. We realize this will take time to complete accurately. **However, these answers are the key to measuring the economic value of the industry!**

Item	Annual Expense
Labor Expenses	
Wages & salaries (including wages paid to yourself)	\$
Contract labor	\$
Worker benefits (if provided)	\$
Payroll taxes	\$
Direct Horse Expenses	
Feed & supplements	\$
Bedding	\$
Stable and tack supplies	\$
Medical supplies	\$
Veterinarian (if not direct billed to owner)	\$
Farrier (if not direct billed to owner)	\$
Boarding or stall rentals	\$
Vanning/transport	\$
Sales commissions	\$
Sales prep fees	\$
Overhead Expenses	
Fuel	\$
Car and truck expenses	\$
Utilities	\$
Insurance	\$
Rent or lease (equipment or land)	\$
Repairs and maintenance	\$



IT costs/business software/website	\$
State licenses, permits, or memberships	\$
Security costs	\$
Interest on loans/mortgages	\$
Property taxes	\$
Professional fees (lawyers, accountants)	\$
Other Expenses	\$

Did you make any investments in equipment (assets with more than one year of life) or structures in 2015? Yes No

If yes, what was the value? \$_____equipment \$_____structures

PART 4 – About You

1. What is the zip code of your primary residence? _____

Thank you for your time! If you have any questions or concerns about this project, contact Brigid Tuck,
tuckb@umn.edu

APPENDIX 3: REFERENCES

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